

Using sales tax revenue to pay or secure certain municipal public securities

SB 1440 by Hinojosa (Luna)

DIGEST: SB 1440 would have allowed cities to use sales and use tax revenue to pay or secure the payment of public securities under certain circumstances. The securities would have been required to be issued by or on behalf of the city to finance the acquisition, construction, equipping, renovation, or improvement of public works or other projects located in one of the following areas: tax increment reinvestment zones; enterprise zones; municipal management districts; public improvement districts; empowerment zones or enterprise communities; or renewal communities.

**GOVERNOR'S
REASON FOR
VETO:**

“Senate Bill No. 1440 would allow a municipality to use sales tax dollars to pay for bonds and other financing mechanisms related to tax increment reinvestment zones, designated enterprise or empowerment zones, and other economic development entities. No local vote would be required to approve this change. I am vetoing Senate Bill No. 1440 because these alternative economic development financing options are designed to be self-supporting, where the development pays for itself through increased property tax revenue from property improvements. Sales tax dollars should not be used to subsidize this development without the consent of the citizens.”

RESPONSE: Sen. Juan Hinojosa, the bill’s author, said: “I agree and I will correct the oversight of allowing the local voters to approve the use of local sales tax monies to be used to payoff municipal public security bonds.”

Rep. Vilma Luna, the House sponsor, said: “SB 1440 would give new tools to municipalities to promote economic development. I believe SB 1440 would have benefited not only my constituents, but the entire state of Texas, by allowing cities and counties to use the sales taxes they already collect to create incentives for job growth.

“I am disappointed that the governor did not agree with the consensus of the Legislature on this issue. I was not aware of any opposition to this bill. Throughout the legislative process, no potential negative consequences were brought to my attention. It is important to make economic development a priority for Texas and especially for our local communities. Cities should be allowed the benefits available through legislation like SB 1440.”

NOTES: SB 1440 passed the House on the Local, Consent, and Resolutions Calendar and was not analyzed in an HRO *Daily Floor Report*.